

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 NSCE-00 SSO-00 DRC-01 /175 W  
----- 013922

R 022140Z MAY 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9928

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DEPARTMENT PASS ALL ARA POSTS

EO 11652: N/A

TAGS: PFOR, ETRD, OVIP (EBERLE)

SUBJ: CONSULTATIONS ON MTN TECHNICAL MEETING WITH PERUVIANS

REF: LIMA 3338 (NOTAL) CARACAS 3771 (NOTAL)

FOLLOWING IS SUMMARY CLEARED BY EBERLE PARTY OF  
TECHNICAL MEETINGS WITH PERUVIANS:

### 1. TECHNICAL MEETING-

LANDE, KNEPPER AND VERNON HELD WORKING-LEVEL SESSIONS  
WITH THE FOLLOWING REPRESENTATIVES OF THE PERUVIAN  
GOVERNMENT: MINISTRY OF COMMERCE, MARIO FERRARI,  
JUAN MUNAR, CESAR GUZMAN BARRON, AND JUAN ISLA OF  
THE OFFICE OF FOREIGN COMMERCE, ROMAN FERNANDEZ AND  
MANUEL ORTIZ OF THE OFFICE OF THE DIRECTOR SUPERIOR;  
MINISTRY OF ECONOMY AND FINANCE. TORRIBIO FERNANDEZ  
BACA, DIRECTOR FOR FOREIGN MARKETS; MINISTRY OF FISHERIES,  
RAMON PEREZ PRIETO, DIRECTOR OF INTERNATIONAL TECHNICAL  
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COOPERATION. ASIDE FROM BASIC EXPOSITION TRA, GSP,

MTN, AND SHORT SUPPLY ISSUES, SESSIONS RESOLVED AROUND US RESPONSES TO SPECIFIC AND WELL INFORMED PERUVIAN QUESTIONS. US DEL MEMBERS COMMENTED PERUVIANS BEST PREPARED AND MOST SOPHISTICATED GROUP TO DATE.

2. SPECIFIC TRADE QUESTIONS CENTERED ON DETAILS OF TRA INCLUDING GSP, MTN, AND SHORT SUPPLY ISSUES, TO WHICH US REPRESENTATIVES ANSWERED AS FOLLOWS:

A) TRADE REFORM ACT-1) MONDALE AMENDMENT - THIS AMENDMENT WOULD PERMIT CERTAIN RESTRICTIVE ACTION IF SUPPLY OF RAW MATERIALS ARTIFICIALLY CURTAILED. FINAL FORM OF PROVISIONS ON SUPPLY ACCESS IN TRA NOT YET ESTABLISHED. AT END OF MEETING, PERUVIAN DELEGATION WAS GIVEN COPY OF ADMINISTRATION'S PROPOSED AMENDMENTS ON SUPPLY ACCESS TO HOUSE VERSION OF TRA. 2) ELIGIBILITY OF LDC'S FOR GSP. FOUR CRITERIA WILL BE USED, TO WIT, LEVEL OF ECONOMIC DEVELOPMENT, ABSENCE OF REVERSE PREFERENCES WITH DC'S SELF-OPTION TO REQUEST INCLUSION, AND FACT THAT JUST, ADEQUATE, AND PROMPT COMPENSATION PAID FOR EXPROPRIATED US PROPERTY. U.S. SIDE NOTED HERE SPECIFICALLY THAT RECENT INTER-GOVERNMENTAL AGREEMENT BETWEEN TWO COUNTRIES WOULD APPEAR TO PRECLUDE ANY CURRENT PROBLEM FOR PERU WITH THE CRITERION FOR APPLICATION THIS AMENDMENT, WHICH, IN ANY CASE, IS DISCRETIONARY, NOT MANDATORY. 3) SCCN LIST OF PRODUCTS - AS SOON AS TRA PASSED, PRODUCT BY PRODUCT REVIEW WILL BEGIN, WITH A FINDING BY THE TARIFF COMMISSION WITHIN SIX MONTHS ON EACH PRODUCT. LANDE STRESSED THAT PERU SHOULD LET USG KNOW WITHIN APPROXIMATELY SIXTY DAYS WHICH PRODUCTS THEY WOULD LIKE TO HAVE INCLUDED OR NOT EXCLUDED DEPENDING ON CATEGORY. HE ALSO STATED MAJOR TWO VOLUME SCCN STUDY OF PRODUCTS DOES NOT ESTABLISH EACH COUNTRY'S PRIORITIES AMONG PRODUCTS AND IT WOULD BE USEFUL DURING COMING SESSIONS OF SCCN FOR PERUVIAN DELEGATION TO MAKE THESE CLEAR IF FEASIBLE. LANDE SAID HE COULD NOT COMMENT DIRECTLY YET ON RESULTS OF 7TH SCCN MEETING. LANDE SAID USG WOULD REVIEW THAT DOCUMENT AND REPORT TO PERU AT LATER DATE.

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4) MECHANISM FOR POSSIBLY REOBTAINING BENEFICIARY STATUS FOR A PRODUCT FROM A PARTICULAR COUNTRY WHICH HAS BEEN REMOVED FROM LIST UNDER COMPETITIVE NEED FORMULA IS NOT SPELLED OUT IN DETAIL. IF LANGUAGE NOT TIGHTENED IN FINAL FILL, THERE MAY BE SOME FLEXIBILITY HERE. 5) VALUE-ADDED AND REGIONAL GROUPINGS. ANDEAN PACT COUNTRIES COULD, AT THEIR REQUEST, BE GIVEN GSP STATUS AS A GROUP. HOWEVER, IF THEY DID SO, THEY

WOULD STILL, AS A GROUP, BE BOUND BY COMPETITIVE NEED  
FORMULA LIMITATION.

B) MTN - 1) USG FIRMLY COMMITTED TO MULTILATERAL  
APPROACH AND EVEN UNEXPECTED FAILURE OF MTN WOULD  
NOT EXCLUDE OPERATION OF GSP OR OTHER MULTILATERAL  
APPROACHES. 2) REGARDING COMPENSATION TO LDCS FOR  
EROSION OF GSP CONCESSIONS RESULTING FROM DECREASE  
IN TARIFFS IN MTN, IT WAS POINTED OUT THAT LDCS WOULD  
NOT BE HELPED BY FAILURE TO REDUCE TARIFFS IN MTN  
BECAUSE THESE LATTER REDUCTIONS HAVE FEWER CONDITIONS  
THAN GSP CUTS AND WOULD BE USEFUL TO LDCS ONCE THEY  
MOVE INTO DC CATEGORY, WHICH AFTER ALL IS ULTIMATE  
PURPOSE OF GSP. 3) TRA SAFEGUARDS PROVISIONS NOT  
UNDER GSP AND IS IN DIFFERENT SECTION OF TRA. MORE

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R 022140Z MAY 74

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TO SECSTATE WASHDC 9929

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RIGOROUS GATT SAFEGUARD PROVISIONS ARE IN INTEREST OF  
LDCS. 4) PERU ALSO INQUIRED ABOUT TYPE OF RECIPROCITY

WHICH U.S. WOULD EXPECT OF LDCS IN MTN. US DELEGATION STRESSED WE ARE NOT REQUESTING PRECISE RECIPROCITY WITH LDCS AND DO NOT EXPECT FULL TARIFF RECIPROCITY. RECIPROCITY COULD INCLUDE PRACTICAL FEATURES OF BENEFIT TO ALL SUCH AS REDUCING RED TAPE. 5) US DELEGATION URGED GOP TO PARTICIPATE IN WORK OF MTN GROUPS AND TO BRING TO OUR ATTENTION THEIR SPECIFIC SUGGESTIONS FOR REFORM OF TRADING RULES.

C) SHORT SUPPLY ISSUE -1) LDCS HAVE RIGHT TO PROTECT THEIR SUPPLY OF RESOURCES, ESPECIALLY NON-RENEWABLE RESOURCES, BUT IT MUST BE DONE ON NON-DISCRIMINATORY BASIS.

2) THIS ISSUE CANNOT BE SOLVED THROUGH BILATERAL AGREEMENTS AND IF OTHER COUNTRIES ATTEMPT TO DO SO THIS WAY, US AND OTHERS MUST BE IN A POSITION TO REACT. ONE OF PURPOSES OF SECRETARY KISSINGER'S PROPOSALS FOR CONSUMER/LIMITED OFFICIAL USE

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PRODUCTER DISCUSSIONS AND FOR CONTINUING LATIN AMERICAN CONSULTATIONS IS TO AVOID THIS SITUATION. 3) US DOES NOT BELIEVE IT FEASIBLE TO TIE PRICES OF RAW MATERIALS TO PROCESS OF MANUFACTURED ITEMS SINCE THIS STIMULATES INFLATION AND ALSO BECAUSE ANY AUTOMATIC MECHANISM COULD ARTIFICIALLY RAISE PRICES, THUS ENCOURAGING SUBSTITUTION AND ALSO DEVELOP INVESTMENT IN AREAS WHICH, OVER LONG-RUN, WOULD BE UNECONOMIC. 4) THE CENTRAL PROBLEM WITH RAW MATERIAL PRICES IS FLUCTUATION, NOT DECREASING TERMS OF TRADE.

3. PERUVIAN DELEGATION ALSO MENTIONED A PROPOSAL BY SECRETARY OF THE INTERIOR MORTON THAT THE U.S. BUILD UP ITS RESERVE OF STRATEGIC MATERIALS FOR GENERAL ECONOMIC PURPOSES (RATHER THAN FOR STRATEGIC REASONS). THE U.S. DELEGATION SAID THEY WOULD EXAMINE THIS QUESTION AND INFORM PERU LATER.  
DEAN

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